



Midas '08

Big Wins For Venture Capitalists

Erika Brown 01.24.08, 6:00 PM ET

BURLINGAME, CALIF. -

Recent credit crunch and market woes be damned: Technology's most powerful deal makers have been on a winning streak.

Companies that venture capitalists helped launch hauled in \$34 billion from 86 public offerings and 304 acquisitions last year. The final quarter of 2007 saw 31 IPOs--more than any other quarter since 2000's third quarter--worth \$3 billion.

The [Forbes Midas List](#) shows just who ushered in all those billions. Our ranking considers venture-backed technology and life sciences companies that have gone public or been acquired in the past five years, as well as the amount of capital it took to get there and the level of involvement in a company by its investors and advisers.

Topping our list this year is L. John Doerr, a star partner at famed venture capital firm Kleiner Perkins Caufield & Byers. Doerr led Kleiner's investment in search behemoth Google. The company raised a total of \$40 million in venture capital and reached a market capitalization of nearly \$17 billion on its first day of trading--a 400 bagger even before the aftermarket run-up in the stock. Today Google is worth a staggering \$178 billion. Doerr was also an early investor in, and adviser to, Tellme, a voice software shop sold in May to Microsoft for an estimated \$800 million.

These days Doerr spends much of his time aiding entrepreneurs and scientists who are creating alternative fuels, eco-friendly sources of power and electric vehicles, among other things. "I worry that America will not be able to innovate fast enough in its policies and technologies to prevent the catastrophic, irreversible climate crisis. I want Kleiner to make major, measurable contributions to solving global warming. It's the largest economic opportunity of the 21st century, and a moral imperative," says Doerr, whose firm has invested in 26 energy-related investments. A third of the \$1 billion KP has under management is earmarked for green tech (see ["Growing Up Green"](#)).

Many trigger-happy venture capitalists are following suit. According to Dow Jones VentureSource, U.S. venture capitalists invested \$2.5 billion in so-called clean tech ventures in 2007.

Clean tech is a popular place to put new money, but when it comes to returns, some of the best payoffs are coming from investments that venture capitalists made in foreign markets a few years ago. Alibaba.com, an e-commerce spin-out of Alibaba Group, a Beijing Internet conglomerate, achieved a \$26 billion market cap with its IPO last November.

Fantasy game developer Perfect World, also based in Beijing, reached a \$1.1 billion market cap with its IPO. And it took only \$8 million in venture money to get there. (See ["Creating Asia's White Picket Fence."](#))

Internet radio site Last.fm took in just \$5 million before selling to CBS in May for \$280 million. Last.fm's backer, Daniel Rimer of Index Ventures, is only 37, but he's an old hand at generating massive returns. Rimer, No. 20 on our list, also backed Internet telephony provider Skype, which raised a mere \$19 million before selling to eBay in October 2005 for \$3.1 billion.

Among the most frugal companies that sold out in 2007: Cushcraft, a maker of radio antennas. The Manchester, N.H., company raised \$2.2 million from Polaris Venture Partners in 2003 and was sold to Laird Technologies a year ago for \$90 million. Other profitable cheapstakes: online backup and recovery shop Berkeley Data Systems, which raised \$2.7 million and was sold to EMC in September for \$76 million, and StumbleUpon, a young search outfit that raised \$2 million and was sold to eBay in May for \$75 million.

Venture capitalists are trying to breed more big wins. (See ["Trends That VCs Want To Fund."](#)) They put \$30 billion to work in 2,600 new ventures last year, says Dow Jones VentureSource. Which sectors were the most popular? Biopharmaceuticals, medical devices and energy took 60% of that pie. Internet deals, which got lots of press in 2007, brought in another \$3.7 billion. One of the largest deals in that category was Facebook. The social networking site raised \$60 million in venture money last November from Hong Kong billionaire Li Ka-Shing, which followed a similar equity investment by Microsoft.

Venture firms raised another \$35 billion in new funds from their investors--pension funds, university endowments and wealthy families--in 2007, according to the National Venture Capital Association. The heftiest fund of the year also set a record for raising the most money for a single-technology venture fund. Technology Crossover Ventures raised \$3 billion from more than 100 investors.

The billion-dollar question is whether venture capitalists will be able to reap returns if the U.S. falls into a recession. The stock markets have been brutal battlegrounds these past few weeks. If public market investors continue their skittish ways, bankers will be reluctant to introduce new offerings. Many of the venture-backed companies that planned to go public this year will be forced to shelve their plans. And leading companies that are already public may not want to take the financial risk of acquiring new businesses--the predominant way that venture capitalists find liquidity.

The longer that exit-ready companies sit in the portfolios of venture firms, the less likely venture capitalists will be to make new investments. (They will need the cash to help existing portfolio companies tread water.) It happened in 2001 and lasted a couple of years. Many venture capitalists remember the agony of shutting down portfolio companies and laying off thousands of employees. In sotto voce, they still refer to it as "nuclear winter."

Let's hope, for their sake, spring arrives early.

Rank	Name	Company
1	L. John Doerr	Kleiner Perkins Caufield & Byers
2	Michael Moritz	Sequoia Capital
3	Ram Shriram	Sherpalo
4	David Cheriton	Stanford University
5	Andreas von Bechtolsheim	Sun Microsystems
6	William Ford	General Atlantic LLC
7	Lawrence Sonsini	Wilson Sonsini Goodrich & Rosati
8	Asad Jamal	ePlanet Ventures
9	Ronald Conway	Angel investor
10	Navin Chaddha	Mayfield Fund
11	Paul Chamberlain	Morgan Stanley
12	Michael D. Grimes	Morgan Stanley
13	James Perry	Madison Dearborn Partners
14	Thomas Ng	Granite Global Ventures
15	Kheng Nam Lee	Granite Global Ventures
16	Aneel Bhusri	Greylock Partners
17	Jon A. Woodruff	Goldman Sachs
18	David Katsujin Chao	DCM
19	Bryce Lee	Credit Suisse
20	Daniel Rimer	Index Ventures
21	Bryan Roberts	Venrock
22	Roelof Botha	Sequoia Capital
23	Timothy C. Draper	Draper Fisher Jurvetson
24	Howard Hartenbaum	Draper Richards
25	Bruce Evans	Summit Partners